

## Minutes of the Audit and Standards Committee Meeting held on 30 June 2015

Present: Martyn Tittley (Chairman)

<b>Attendance</b>	
Derek Davis, OBE	Robert Marshall
Michael Greateorex	David Smith
Kevin Jackson	Alison Spicer
Philip Jones	Caroline Wood

**Apologies:** Mike Davies, William Day, Brian Edwards, Derrick Huckfield, Diane Todd and Conor Wileman

### **PART ONE**

#### **1. Declarations of Interest**

Mr Kevin Jackson recorded his wife's membership of the Staffordshire Pension Fund.

#### **2. Minutes of the Meeting held on 23 March 2015**

**RESOLVED** - That the minutes of the meeting held on 23 March 2015 be confirmed and signed by the Chairman.

Arising thereon-

Minute 93 – Mr Kevin Jackson said that his wife was a member of the Staffordshire Pension Fund and not him.

Minute 95 – Members were informed that following consultation no amendments to the constitution were proposed regarding the petitions scheme at this time.

#### **3. Proposed Changes to the Constitution -New Regulatory Requirements re Procedure for Discipline or Dismissal of Head of Paid Service, Monitoring Officer and Chief Financial Officer**

Under the current Constitution, the procedure for the dismissal or discipline of the Head of Paid Service, Monitoring Officer and Chief Financial Officer ('Relevant Officers') was for a Special Committee to consider a report by a Designated Independent Person [DIP] and, in the case of dismissal, to then make a recommendation to Full Council for approval before the dismissal notice can be served.

On 11 May 2015 new regulations came into effect which replaced the requirement to have a report by a DIP with the need to have a Panel (Committee).

The regulations require that the first 'ordinary' meeting of the authority falling after the 11 May 2015 (i.e. the Council meeting of 23 July) must incorporate into, (or modify) its

Standing Orders the new requirements in relation to Independent Persons' involvement in arrangements for disciplinary action against relevant officers.

The Head of Law explained that there was an incompatibility between the regulations and employment terms and conditions and that there was to be a meeting of the JNC on 9 July at which it was hoped negotiation would be reached to incorporate the new terms into the Relevant Officers terms of conditions of employment. A Member suggested that any recommendations were shared with the Chairman of the Committee and the Leader of the Council in advance of consideration by the County Council.

**RESOLVED** - (a) That the committee note the current position relating to the requirements to amend the County Council's Officer Employment Procedure Rules

(b) That if the incompatibility was resolved in time to meet the 23 July 2015 full council date a report be taken after consultation with the Chairman of this Committee together with the Leader of the Council.

#### **4. External Audit - Progress Report**

Members received a presentation by Natalie Shaw, PricewaterhouseCoopers (PWC), illustrated by slides, on the External Audit Progress update.

It was confirmed that no audit issues have been noted in this work to date and no control weaknesses identified. PWC's final accounts audit approach will therefore continue as planned.

**RESOLVED-** That the presentation be noted.

#### **5. Internal Audit Outturn Report 2014/15**

The Committee considered a report of the Director of Finance and Resources, illustrated by slides, on the Internal Audit Outturn Report 2014/15.

Internal Audit are required by professional standards to deliver an annual internal audit opinion and report to those charged with governance timed to support the Annual Governance Statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

Audit opinions are awarded for individual systems and compliance audits within one of the following categories – substantial, adequate or limited assurance.

A high level summary of the work undertaken by the Section was detailed in the report.

For those areas awarded "limited assurance", action plans had been or were in the process of being agreed with the relevant Director / Head of Service. During 2014/15, the Committee continued to receive full copies of all "Limited Assurance", High Risk Auditable areas (regardless of opinion) and Major Special Investigation reports (i.e. greater than £10,000 financial loss / significant corruption issues). Internal Audit would

continue to track and report on the implementation of High Level Recommendations, including those contained within reports awarded “Adequate Assurance”.

The methodology used as the basis to form the assessment of the overall internal audit internal control environment had previously been endorsed by the Committee and was detailed in the report.

Overall, an “adequate assurance” opinion that the significant risks facing the County Council had been addressed had been awarded for the overall control environment in 2014/15.

Members expressed concern at the unknown whereabouts of some 67 mobile devices/phones and the Chairman said that if they had not been located by the time of the next meeting of the Committee in September, the relevant manager would be asked to provide the meeting with further explanation.

Members noted that a summary of work undertaken in relation to fraud and corruption work and specific counter fraud testing was attached as an appendix in the exempt part of the agenda and indicated that there had been some lapses in the application of controls, increasing the risk of fraud.

The Chief Internal Auditor confirmed that she works with the Chief Auditor at Stoke on Trent City to be assured that any necessary procedures are in place regarding anti-fraud and corruption work.

A Member asked how areas of risk were identified - in particular sectors under financial pressure such as admitted bodies within the Pension Fund. The Chief Internal Auditor said that there was regular contact with the Pensions Section and any areas of concern would be identified. The Statement of Accounts including the Pension Fund would be presented to the next meeting and Members could raise any issues at that time.

**RESOLVED – That:**

- (a) the outturn report containing the annual audit opinion for 2014/15 be received and noted;
- (b) there be an update on the missing mobile devices/phones at the Audit and Standards meeting in September;
- (c) a briefing for members on the management of the risk of fraud in the County Council be arranged

**6. Internal Audit Charter**

The Committee considered a report of the Director of Finance and Resources, supported by slides, on the Internal Audit Charter for 2015/16.

The Public Sector Internal Audit Standards and the Local Government Application Note Standard 1000 required that the purpose, authority and responsibility of the internal

audit activity must be formally defined in an Audit Charter. The Internal Audit Charter was a formal document, copy appended to the report, which set out:-

- Internal Audit's position within the organisation
- Its reporting lines
- Access to personnel, information and records
- The scope of Internal Audit's activities
- What the term Board means (i.e. the Audit and Standards Committee)

A small number of revisions have been made to the Charter which had been detailed in the report.

Members expressed concern at the volume of paperwork which supported each item. They were informed that efforts would be made to reduce the quantity whilst ensuring that Members received the necessary detail of information required particularly relating to areas of concern. In order to meet legal requirements it would be necessary to electronically provide certain documentation for both Members and the public to access.

**RESOLVED** – That the Internal Audit Charter for 2015/16, incorporating a number of small revisions, be approved.

## **7. Internal Audit Strategy and Plan 2015/16**

Members considered a report of the Director of Finance and Resources, illustrated by slides, on the proposed Internal Audit Strategy and Plan 2015/16.

**The Audit Plan had been prepared in line with the Audit Strategy detailed in the report. As part of the agreement process for this year's plan, detailed discussions had been held with the Commissioners to highlight the Internal Audit work proposed; complimented and added value to the process. This allows greater certainty regarding delivery of these audits within 2015/16.**

To meet the requirements of the External Auditor increased emphasis will be placed on fraud and corruption work, particularly in relation to developing the proactive elements of the plan and the work of the North West Staffordshire Fraud Hub. Compliance work within Schools would continue to focus on the key risk areas of income, procurement and community facilities.

Members discussed the issue of fraud and corruption particularly now Staffordshire was a commissioning authority. The Chief Internal Auditor said that more could always be done to counter fraud and that the team liaised with the Police.

The Audit Plan defined the top risk audits/reviews assessed next to the Audit Strategy but members were informed that this needed to be continuously reviewed and remain flexible to ensure that it was fully focused on the principal risks and hence may change throughout the year. .

**RESOLVED** – (a) That the Internal Audit Strategy and Plan for 2015/16 be approved.

(b) That the Internal Audit Plan for 2015/16 be recommended to the Director of Finance and Resources for approval.

## **8. Code of Corporate Governance**

Members considered a joint report of the Director of Democracy, Law and Transformation and the Director of Finance and Resources on the Code of Corporate Governance.

The annual review of the Code of Corporate Governance (and Single Sheet Local Framework) had been undertaken by the Council's Corporate Governance Working Group and the conclusion reached that no material changes were proposed to the Council's over-arching Code of Corporate Governance (copy appended the report) or the Single Sheet Local Framework, also appended to the report.

Progress against the Action Plan 2014/15 was appended to the report together with a copy of the Action Plan 2015/16.

Members discussed in detail the appropriateness of the committee's level of involvement in projects. It was suggested that the Chairman liaise with other Committee Chairman on work programme planning.

### **RESOLVED – That:**

(a) following review by the Council's Corporate Governance Working Group, it was noted that no material changes were proposed to the current Code of Corporate Governance or the Single Sheet Local Framework;

(b) progress made on implementing the Corporate Governance Action Plan 2014/15 be noted;

(c) the Corporate Governance Action Plan 2015/16 be approved;

(d) the Chairman meet with his fellow committee chairmen to discuss and confirm the most effective ways for the Audit and Standards Committee to review the control environment within key delivery projects.

## **9. Work Programme for the Audit and Standards Committee/Member Training Update**

Members considered a report of the Director of Finance and Resources on the indicative work programme for the Audit and Standards Committee with specific reference to the next meeting on 14 September 2015.

The agenda for the next meeting may be amended, in consultation with the Chairman. The Statement of Accounts was a particularly large and complex document and members were pleased to note that a training session led by the Chief Accountant would be provided on the morning of the meeting. A Member suggested that consideration be given to inviting all Members of the Council to the training.

**RESOLVED** – That:

(a) the Indicative Work Programme for the Audit and Standards Committee be received and noted;

(b) the agenda and training be agreed with the Chairman.

**10. Exclusion of the Public**

**RESOLVED** - That the public be excluded from the meeting for the following items of business which involve the likely disclosure of exempt information as defined in the paragraph of Part One of Schedule 12A of the Local Government Act 1972 (as amended) indicated below.

The Committee then proceeded to consider reports on the following issues:

**PART TWO**

**11. Exempt Minutes of the meeting held on 23 March 2015**

The exempt minutes of the meeting held on 23 March 2015 were confirmed and signed by the Chairman.

The Chief Internal Auditor confirmed that an update report on Independent Futures would be presented to the Committee at their meeting in December 2015.

**12. Internal Audit Outturn Report 2014/15 - Appendix 1**

The appendix to item 6 was considered and noted.

**Chairman**